

# Medicare's Payment to Physicians: Budgetary Impact of Alternative Policies

## Updated for Physician Fee Schedule Final Rule, dated November 1, 2011

On November 1, 2011, the Centers for Medicare and Medicaid Services (CMS) issued a final rule and supporting analyses in which CMS announced that the update to Medicare's payment rates for services on the Physician Fee Schedule (PFS) will be a reduction of 27.4 percent for services furnished during calendar year 2012.<sup>[1]</sup> That reduction is smaller than the 29.4 percent reduction that CBO projected in March 2011. The revised reduction in payments for calendar year 2012, as well as other information provided in the final rule, change CBO's projections of Medicare payment rates for services provided on the PFS for 2012 and for future years. Following standard practice, CBO will incorporate that information in its next regular baseline update. It will also immediately take that information into account when analyzing legislation being considered by the Congress—even before new baseline projections are published.

The PFS update is determined following a statutory formula that compares actual spending to target spending and adjusts payment rates to reflect the differences. For more background, please see the CBO document "Changes in Payments to Physicians".<sup>[2]</sup> The following table shows estimates that incorporate the effects of the final rule for several of the alternatives presented in that document. Similar to prior estimates, variations above or below baseline due to changes in projected spending compared to adjusted targets determines whether there will be a cost or savings in years following the cliff.

Cliff Options	by fiscal year, in billions of dollars										2012-	2012-
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2016	2021
<b>0% Update for 2012</b>												
cliff: -32% in 2013	11.0	5.0	-0.5	0.3	0.7	1.0	1.0	0.9	0.8	0.8	16.4	21.0
<b>0% Update for 2012-2013</b>												
cliff: -36% in 2014	11.0	18.3	5.3	-1.2	0.2	1.0	1.2	1.2	0.9	0.7	33.7	38.6
<b>0% Update for 2012-2014</b>												
cliff: -37% in 2015	11.0	18.3	21.4	6.2	-2.1	-1.2	-1.0	-1.2	-1.6	-2.0	54.8	47.8
<b>MEI Update for 2012</b>												
cliff: -33% in 2013	11.2	5.1	-0.6	0.2	0.7	0.9	0.9	0.8	0.7	0.7	16.6	20.7
<b>MEI Update for 2012-2013</b>												
cliff: -36% in 2014	11.2	18.9	5.5	-1.3	0.1	0.9	1.1	1.0	0.8	0.5	34.5	38.7
<b>MEI Update for 2012-2014</b>												
cliff: -39% in 2015	11.2	18.9	22.6	6.5	-2.3	-1.5	-1.2	-1.4	-1.8	-2.3	57.0	48.7
Note: CBO's MEI Projection	0.6%	0.6%	1.2%	1.5%	1.9%	2.1%	2.2%	2.1%	1.9%	1.9%		
<b>1% Update for 2012</b>												
cliff: -33% in 2013	11.3	5.1	-0.6	0.2	0.6	0.8	0.9	0.8	0.7	0.7	16.7	20.6
<b>1% Update for 2012-2013</b>												
cliff: -37% in 2014	11.3	19.3	5.7	-1.4	0.0	0.8	1.0	0.9	0.7	0.4	35.0	38.9
<b>1% Update for 2012-2014</b>												
cliff: -39% in 2015	11.3	19.3	23.0	6.6	-2.4	-1.5	-1.3	-1.5	-1.9	-2.3	57.9	49.3
<b>Replace the SGR with Specified Updates:</b>												
<b>0% Update through 2021</b>	11.0	18.3	21.4	24.5	27.6	30.5	33.4	37.2	40.9	44.7	102.9	289.7
<b>MEI Update Through 2021</b>	11.2	18.9	22.6	26.8	31.4	36.2	41.4	48.0	54.5	61.6	110.9	352.7

<sup>[1]</sup> <http://www.cms.gov/PhysicianFeeSched/PFSFRN/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=4&sortOrder=descending&itemID=CMS1253669&intNumPerPage=10> and

[http://www.cms.gov/SustainableGRatesConFact/01\\_Overview.asp](http://www.cms.gov/SustainableGRatesConFact/01_Overview.asp)

<sup>[2]</sup> <http://www.cbo.gov/doc.cfm?index=12240>